

be included in intraLATA dialing parity because they do not constitute toll service. In contrast, interzone calls should be included in intraLATA dialing parity because Ameritech Michigan itself classifies those calls as toll service. Accordingly, all switched non-local calls, including interzone calls and 0+ calls that are dialed using seven digits, should be included in intraLATA dialing parity.

The second issue relates to costs that will be incurred due to changes in the network to implement intraLATA dialing parity. These costs are separate from the central office costs examined by the switch inventory committee. The question is whether network reconfiguration costs can be measured due to the large number of variables and whether the cost estimates are relevant for consideration for cost recovery in the EARC.

Ameritech Michigan states that engineering costs of up to \$10 million should be recovered by the LECs. It submits that its data should be accepted as a fair representation of the level of costs that may result and must be recovered when incurred as a result of intraLATA dialing parity implementation.

The IXC's believe that Ameritech Michigan's network rearrangement cost estimates are not relevant and do not have any probative value to either the task force or the Commission. First, they maintain, the estimates are not relevant because they do not represent a direct cost of intraLATA dialing parity implementation and they are already recovered through existing LEC access tariff charges. Second, the IXC's submit, it is not possible to create an accurate assessment of network rearrangement costs flowing from intraLATA dialing parity implementation. According to the IXC's, the network changes required to meet changing customer needs resulting from intraLATA dialing parity implementation will occur over an

extended period of time. During that time, they state that the network will be in a dynamic condition subject to many forces unrelated to intraLATA dialing parity.

The Staff agrees with the IXC's that it is difficult to differentiate costs incurred due to intraLATA dialing parity and other costs caused by normal growth, modernization, or changing customer demands for existing and new services. As a result, the Staff recommends that network reconfiguration costs be excluded from the recovery mechanism for intraLATA dialing parity. The Staff believes that there are other more appropriate vehicles for recovery of those costs, such as existing access charges.

The Commission is persuaded that network reconfiguration costs should be excluded from recovery in the EARC. In particular, the Commission agrees with the Staff that it is too difficult to differentiate costs resulting from intraLATA dialing parity and costs resulting from other factors. Because those costs can be recovered through other mechanisms, they should not be included in the EARC.

Impact of IntraLATA Dialing Parity on the SECs

The impact of intraLATA dialing parity on the SECs committee addressed how the SECs will be affected when Ameritech Michigan and GTE implement intraLATA dialing parity.

The committee concluded that no major technological problems will be experienced in either PEC or SEC exchanges if intraLATA dialing parity is implemented through either the modified two-PIC or two-PIC options. However, the committee found that there are practical and economic consequences if dialing parity is implemented in the SEC exchanges. The committee explained that when intraLATA dialing parity is implemented in SEC exchanges, the PEC/SEC relationship will no longer exist. PECs will no longer be the exclusive 1+ and 0+ intraLATA providers of regulated toll services in SEC exchanges and a new carrier

relationship will replace the PEC/SEC relationship. However, the committee believed that those consequences could be addressed by using a transitional approach to implementation in SEC exchanges.

The committee understood that the Commission's orders apply only to Ameritech Michigan and GTE, but the Commission required the task force to address the issues raised by MECA regarding company-by-company implementation. The committee was unanimous in its opinion that it is desirable for intraLATA dialing parity to be extended to the SEC exchanges to achieve statewide dialing parity.

The Staff points out that the Commission needs to clarify whether it intended MECA companies to be required to implement intraLATA dialing parity. The Staff states that if the Commission wants MECA to participate in intraLATA dialing parity, but does not believe this case provides the opportunity to require them to do so, it must institute a proceeding to explore the options related to that issue.

The committee disagreed on how and when the SECs should convert to intraLATA dialing parity. MECA argues that the conversion schedule developed by the task force is not a recommended schedule of mandatory conversion for the SECs. Rather, MECA submits, it simply indicates the offices in which the necessary technology will be available by January 1, 1996, not when that technology can be deployed.

MECA believes that it should be allowed to implement intraLATA dialing parity in the SEC exchanges on a company-by-company and exchange-by-exchange basis when it is economically feasible to do so. MECA states that this approach will allow the SECs that are ready and able to convert to do so as soon as possible and keep costs down for both the SECs and toll providers. MECA points out that there are 36 SECs in Michigan, each of which has

particular circumstances applicable only to that SEC. According to MECA, the SECs have different capital structures, different investment schedules, different service areas, and different operating hardware and software of varying age and configuration. In MECA's view, these differences mandate company-specific implementation procedures.

The IXCs and the Staff object to MECA's proposal. They take the position that the SECs should convert when required by a Commission order and after they receive a BFR. The SECs would then be required to convert within a certain number of months and the conversion schedule would be determined by the switch inventory committee. The Staff further recommends that the SECs may convert after a Commission order but prior to receiving a BFR. However, in that event, the SECs' conversion costs would not be included in the EARC.

The Commission recognizes that its February 24, 1994 order applied only to Ameritech Michigan and GTE. Although MECA participated in both the original and remand phases of this proceeding, the SECs were not the subject of those proceedings. Additionally, MECA has not applied for authority to convert the SEC exchanges to intraLATA dialing parity. Nevertheless, all of the parties, including MECA, assume that the SEC exchanges should be included in intraLATA dialing parity. The Commission agrees with the industry that, if intraLATA dialing parity is to be accomplished in an orderly manner to achieve statewide dialing parity, the SEC exchanges ought to be included in that process. Consequently, the SECs may voluntarily comply with the Commission's orders on dialing parity.

The final outstanding issue relates to MECA's proposed safeguards. The Commission's July 19, 1994 order directed the task force to address that issue. However, the report

indicates that, due to time constraints, the committee did not address safeguards. As a result, that issue was addressed during the comment phase of this case.

MECA reiterates that the Commission should adopt various safeguards to protect and enhance the quality and level of toll service in the state. In fact, this section of MECA's comments is taken verbatim from its exceptions filed in the remand phase of this case. Those safeguards relate to the adoption of the principle of a dominant carrier and standards for withdrawal of service. Specifically, MECA proposes that an intraLATA toll carrier cannot withdraw from an exchange unless the carrier shows that (1) the service area has intraLATA equal access, (2) the service area has at least two carriers that are certified to provide 1+ and 0+ intraLATA service and are actually providing this service, and (3) the petitioning carrier is not the dominant carrier in terms of having the largest intraLATA market share for that service area.

The Commission is not persuaded that it is necessary to adopt MECA's proposed safeguards. In enacting Act 179, the Legislature intended to promote competition while continuing to maintain universal telecommunication service. As a result, Section 313 of Act 179, which addresses conditions under which a provider may discontinue service, requires the maintenance of basic local exchange and toll service at least where it existed on January 1, 1992. Therefore, the Commission does not believe that any further action is required regarding safeguards for market exit as a result of intraLATA dialing parity.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1991 PA 179, MCL 484.2101 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, R 460.17101 et seq.

b. The unanimous recommendations contained in the task force report on intraLATA dialing parity should be adopted.

c. The two-PIC option will offer customers more choices and, therefore, it should be deployed.

d. The IXC's should not be required to submit to Ameritech Michigan and GTE a BFR for each exchange in which the IXC's wish to provide service.

e. Implementation of intraLATA dialing parity by Ameritech Michigan and GTE should be accomplished on a flash-cut basis on January 1, 1996.

f. A firm schedule for conversion to intraLATA dialing parity subsequent to January 1, 1996 should be adopted for Ameritech Michigan and GTE.

g. Ameritech Michigan and GTE should each file, within 30 days of issuance of this order, the switch inventory contained in Attachment 1-B.1 of the report with an updated conversion date for each switch.

h. A waiver process for those offices scheduled to convert after January 1, 1996 is necessary. However, a formal contested case process will not be mandatory.

i. A 55% discount on access charges in those offices that do not meet the conversion schedule should be adopted.

j. The costs of implementing intraLATA dialing parity should be recovered in the form of an EARC on a per intraLATA presubscribed access line basis. Only those costs directly attributable to intraLATA dialing parity implementation should be recovered through the EARC.

k. Five years is a reasonable amortization period for the recovery of the costs of implementing intraLATA dialing parity.

l. The costs of implementing intraLATA dialing parity should be borne by all providers of intraLATA toll service.

m. The charge for PIC changes should be no higher than the rate from the FCC access tariffs.

n. The FCC's process for allocating end-users not making a PIC selection during the balloting process is reasonable and should be adopted.

o. For those offices already converted to interLATA equal access, the LECs should notify both end-users and IXC's of the availability of intraLATA dialing parity. The information to be mailed to end-users and IXC's should be submitted to the Staff for its review.

p. Charges for PIC changes should be waived during the 90-day period prior to the availability of intraLATA dialing parity as well as for an additional 90 days thereafter.

q. Participation in intraLATA dialing parity should be voluntary for the PECs and the IXC's on an exchange-by-exchange basis.

r. All switched intraLATA non-local calls, including interzone and 0+ calls that are dialed using seven digits, should be included in intraLATA dialing parity.

THEREFORE, IT IS ORDERED that:

A. The unanimous recommendations contained in the Report of the Dialing Parity Task Force are adopted.

B. The two-PIC option for intraLATA dialing parity shall be deployed in Ameritech Michigan's and GTE North Incorporated's exchanges.

C. The February 24, 1994 order constitutes a bona fide request for service and, therefore, no further action is necessary to begin the conversion process to intraLATA dialing parity.

D. Implementation of intraLATA dialing parity shall be accomplished on a flash-cut basis on January 1, 1996.

E. A firm schedule for conversion to intraLATA dialing parity shall be adopted for both Ameritech Michigan and GTE North Incorporated.

F. Ameritech Michigan and GTE North Incorporated shall each file, within 30 days of issuance of this order, the switch inventory contained in Attachment 1-B.1 to the Report of the Dialing Parity Task Force. Ameritech Michigan and GTE North Incorporated shall include the updated conversion date to intraLATA dialing parity for each switch, which shall be either January 1, 1996 or the date nine months after the necessary software is available. If the latter date is unknown, Ameritech Michigan and GTE North Incorporated shall supplement their conversion schedules as the information becomes available. They shall also indicate the switches that will be exempt until those offices are upgraded to interLATA equal access as well as the dates for conversion to interLATA and intraLATA equal access, if known. All of Ameritech Michigan's 2 BESS switches shall also be exempt until those offices are upgraded. When those switches are upgraded, they should be immediately converted to intraLATA equal access.

G. If the software for a particular office is not available as originally indicated by the switch manufacturer, Ameritech Michigan or GTE North Incorporated shall file a letter, with supporting documentation, requesting a waiver for that office, as more fully discussed in this order.

H. A 55% discount on switched access charges in those end-offices that do not meet the cutover date in the conversion schedule is adopted.

I. The costs of implementing intraLATA dialing parity shall be recovered in the form of an Equal Access Recovery Charge on a per intraLATA presubscribed access line basis. Specifically, those costs are switch translation modifications; operational support system modifications; customer education and interexchange carrier notification; balloting expenses; primary interexchange carrier changes; and software, generic, or feature package upgrades if directly and solely attributable to intraLATA equal access.

J. A five-year amortization period commencing January 1, 1996, for recovery of the costs of implementing intraLATA dialing parity is adopted.

K. All providers of intraLATA toll service shall pay for the costs of implementing intraLATA dialing parity.

L. The charge for primary interexchange carrier changes shall be no higher than the rate from the Federal Communications Commission's access tariffs.

M. The Federal Communications Commission's process for allocating end-users not making a primary interexchange carrier selection is adopted.

N. For those offices already converted to interLATA equal access, the local exchange carriers shall notify both end-users and interexchange carriers of the availability of intraLATA dialing parity according to the procedure set forth in this order. The local exchange carriers shall submit to the Commission Staff for its review the material to be distributed.

O. Charges for primary interexchange carrier changes shall be waived during the 90-day period prior to the availability of intraLATA dialing parity as well as for an additional 90 days thereafter.

P. Participation in intraLATA dialing parity shall be voluntary for the primary exchange carriers and the interexchange carriers on an exchange-by-exchange basis.

Q. All switched intraLATA non-local calls, including interzone and 0+ calls that are dialing using seven digits, shall be included in intraLATA dialing parity.

R. All contentions of the parties inconsistent with this order and not specifically addressed or determined are rejected.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand
Chairman

(S E A L)

/s/ Ronald E. Russell
Commissioner

As discussed in my separate opinion,
I concur in part and dissent in part.

/s/ John L. O'Donnell
Commissioner

By its action of March 10, 1995.

/s/ Dorothy Wideman
Its Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of MCI)
TELECOMMUNICATIONS CORPORATION against)
AMERITECH MICHIGAN and GTE NORTH)
INCORPORATED relative to their not making)
intraLATA equal access available in the State)
of Michigan.)
_____)

Case No. U-10138
Remand

**OPINION OF COMMISSIONER JOHN L. O'DONNELL
CONCURRING IN PART AND DISSENTING IN PART**

On February 23, 1993, the Commission issued an order delaying implementation of intraLATA dialing parity until interLATA restrictions were removed from Ameritech and GTE. I continue to believe that it is inappropriate to require intraLATA dialing parity until Ameritech Michigan and GTE are authorized and able to provide interLATA toll service, an issue that is not within the jurisdiction of this Commission. Although my colleagues are comfortable with implementing intraLATA dialing parity before restrictions are lifted, I am not. I therefore continue to disagree with the majority's conclusion that intraLATA dialing parity should occur in any event on January 1, 1996. The basis for my concern remains the threat to the economic interests of Ameritech Michigan and GTE caused by a mismatch between state and federal regulation.

Similarly, until they obtain authority to offer interLATA toll service, I believe that it is inappropriate to require Ameritech Michigan and GTE to pay a portion of the costs of implementing intraLATA dialing parity, including the costs of notifying customers that they can presubscribe to another intraLATA carrier and switching those customers during the 90

days before and after dialing parity becomes available. Ameritech Michigan and GTE should not be required to subsidize their competitors in the intraLATA market when Ameritech Michigan and GTE are not allowed to compete with them in the interLATA market. Minimum equity considerations might be met if interLATA relief were granted to Ameritech Michigan and GTE for at least selected areas within the state of Michigan.

I continue to agree that it was prudent and necessary to establish the task force to advance the goal of full intrastate toll competition and, with the exception noted above, I join in the majority's resolution of the issues addressed by the task force.


Commissioner John L. O'Donnell

March 10, 1995